DOCUMENT RESUME

ED 276 821 CE 045 827

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TITLE Fiscal Models as Reflections of Institutional Philosophies toward Continuing Education.
PUB DATE Jun 83
NOTE 9p.; Paper presented at the Annual General Meeting of the Canadian Association for University Continuing Education (Halifax, Nova Scotia, June 1983).
PUB TYPE Viewpoints (120) -- Speeches/Conference Papers (150) -- Reports - Evaluative/Feasibility (142)

EDRS PRICE MF01/PC01 Plus Postage.
DESCRIPTORS *Continuing Education; *Educational Finance; *Educational Philosophy; Higher Education; *Models; *Program Costs
IDENTIFIERS *University of Manitoba (Canada)

ABSTRACT

Throughout the existence of the Continuing Education Division (CED) at the University of Manitoba, three different fiscal models were applied by University Administration to the CED: the traditional model; the income-target model; and the subsidy model. (1) The traditional model paralleled that applied to faculties and schools. The CED was provided with an operating budget, and an implicit understanding existed concerning the expected level of revenue to be generated by tuition fees. The CED was unable to respond to changing market conditions but was permitted to allocate funds in light of program priorities. (2) The income target model involved identification of specific income targets for specified program areas. Freed from the constraints of a fixed budget, the CED operated on a net budget basis. The setting of sub-targets for major program areas became unilaterally established by the central administration without regard for changing circumstances. The model facilitated overall growth in CED programs. (3) The subsidy model involved setting a net budget for the CED as a whole. Program plans were based upon financial realities. This model retained the limited flexibility of self-determined levels of expenditures but lacked the flexibility of adjusting to emerging program priorities. The evolution of these three models reflected a "drift" away from primary emphasis upon program priorities toward a primary focus upon financial priorities. (YLB)

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Fiscal Models as Reflections of Institutional Philosophies Toward Continuing Education

A paper presented at the 1983 Annual General Meeting of the Canadian Association for University Continuing Education, Halifax, N.S.

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Introduction

The Continuing Education Division (CED) at the University of Manitoba was created in 1975. Since its inception, three identifiably different fiscal models have been applied by the University administration to the CED. The term "fiscal model" connotes the institutional expectations regarding the relationship between income and expenditure. (e.g. Is the CED expected to break even, to make a profit, etc.?) Further, it is the basis on which the authorized expenditure level is determined including staff resources as well as funds to support program development and delivery.

Each of the three fiscal models can be seen to have unique characteristics, and consequently, certain advantages and disadvantages unique to each. Of particular interest to this paper are the institutional philosophies which each model reflects.

The three fiscal models in order of their evolution are the "traditional" model, the "income-target" model, and the "subsidy" model. This paper will briefly describe each of these models and discuss how they differ. In addition, the consequences of each model will be explored.

The general argument of this paper is that the selection of a fiscal model must be made with care so as to be consistent

with the mandated role for continuing education units within universities. No single model is proposed as being ideal. Rather, the fiscal model is conceived as an instrument for achieving institutional objectives. Accordingly, the selection of an inappropriate fiscal model may be the inadvertent, but inevitable, cause of a re-definition of the mandate for a continuing education unit.

The Traditional Model

The traditional model was employed during the first two years following the creation of the CED (i.e., 1975-77). Essentially, this model paralleled that applied to faculties and schools. The CED was provided with an operating budget intended to cover salaries and benefits of the CED staff and monies intended to provide a wide range of degree credit and non-degree programs and courses. An implicit understanding existed concerning the expectations of the level of revenue which would be generated by tuition fees. Nonetheless, no explicit agreements existed regarding the amount of such revenue. Further, there was no evident relationship between the budget funds provided each year and the net financial performance of the CED in the previous year. Nonetheless, it was anticipated that the CED like any other academic unit was expected to justify, as part of the budget process, any continuing programs

which incurred substantial net financial costs.

One of the major problems associated with this model was the inability to respond to changing market conditions. In particular, this model generally did not permit us to respond to unanticipated requests for programs during the fiscal year. The budget was set at the beginning of the fiscal year and did not permit an opportunity to request increases in budget funds. This situation seemed particularly ironic where we anticipated that we would generate program revenue which would exceed program costs. Accordingly, it appeared that this model was excessively inflexible and that some other model should be explored.

The traditional model did permit the CED to allocate funds in the light of program priorities. For example, the original mandate for the CED emphasized the importance of extending the universities' resources throughout the province. It was recognized that extending these resources to rural and northern areas could only be undertaken at considerable cost. Nonetheless, the traditional fiscal model focused attention upon the distribution of budget funds in support of program priorities without emphasis being placed upon the income implications.

The Income Target Model

Commencing in 1977, the CED agreed with the University administration to adopt a revised fiscal model. This model involved the identification of specific income targets for specified program areas (e.g. Management programs, Off-Campus credit courses, etc.). The CED was required to achieve these targets. The consequence of failing to do so was that the amount by which the CED fell short of the overall target (i.e. across all sub-target program areas) was treated as a budget over-expenditure. Budget over-expenditures were first liabilities against the next year's budget. The advantage of this model to the central administration is readily apparent. It eliminated financial uncertainty in terms of income expectations. The advantages to the CED are perhaps less apparent but no less real. The CED was freed from the constraints of a fixed budget. In essence, we were operating on a "net" budget basis which was defined by the original budget and the original target. Nonetheless both factors in this equation could be increased by $X. Accordingly, we were free to determine our own expenditure level so long as the difference between our income and expenditure was equal to the original "net" budget. Further, in the event that we exceeded our "net" budget we were allowed to carry 80% of that amount into the next fiscal year. Finally, it is important to note that income targets were to be developed for each of the major program

units. This promised flexibility in response to changing needs and circumstances. If in any given year it was expected that a particular program area would incur substantial developmental costs for example, the income target for that program area could be adjusted to account for those circumstances.

A "Faustian" compromise can be recognized in the Income Target model. The CED was promised substantial flexibility in setting its own expenditure level. We could hire additional staff and respond to emerging program requests which were not anticipated at the commencement of the fiscal year. At the same time, we gave up the freedom to develop programs without undue regard for the anticipated income. Henceforth all decisions regarding staff and programs were inevitably viewed in the light of anticipated income.

Regrettably, the income target model did not live up to its promise. In particular, the setting of sub-targets for major program areas became unilaterally established by the central administration without regard for the changing circumstances in each program area. Further, success in one year exceeding the income target brought short-lived satisfaction when it resulted in the unilateral raising of the income target for the following year. Nonetheless this model did facilitate a significant growth in staff, programs, and increased numbers of persons participating in CED programs. This growth occurred at a time

when other faculties and schools were experiencing declining or at best, "steady state" funding.

The Subsidy Model

The Subsidy model while differing substantially from the conceived form of the Income Target model did not differ greatly from its resultant form. This model involved the setting of a "net" budget for the CED as a whole. Whereas the income target model was intended to base the setting of planned expenditure levels on the program realities, the subsidy model caused program plans to be based upon financial realities.

The subsidy model retained the limited flexibility inherent in a self-determined level of expenditures. Nonetheless, it lacked the flexibility of an annual review and adjustment in the light of emerging program priorities. The subsidy model was unabashedly premised upon fundamentally fiscal realities rather than program priorities.

Conclusion

It is apparent that the evolution of these three fiscal models reflects a "drift" away from primary emphasis upon

program priorities toward a primary focus upon financial priorities. The flexibility in expenditure levels is gained at the cost of reduced flexibility in offering programs which have high net costs.

It is interesting, however, to note that some parallels have surfaced in the changes to the fiscal models applied to faculties and schools. At the University of Manitoba we are moving toward a form of subsidy model (insofar as a supplementary student fee structure) for faculties and schools.

It is likely that the growing constraints upon funding for post-secondary educational institutions will necessitate more prudent fiscal management at the level of faculties and schools. Increased, attention to the ratio between income and expenditures will probably become more widespread. Most Continuing Education units are not likely to suffer from such scrutiny.

The selection of a fiscal model for Continuing Education units is based upon many considerations. This paper has argued that Continuing Education units should strive to effect some influence upon the selection of a model which is best suited to promoting its unique mandate.

June, 1983

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